

MINUTES OF THE ASSESSING STANDARDS BOARD

Approved as Amended

DATE: March 28, 2014

TIME: 9:30 a.m.

LOCATION: Department of Revenue, Legislative Office Building, Room 301

BOARD MEMBERS:

Senator David Pierce
Representative Priscilla Lockwood
Len Gerzon, Public Member, Chairman
Robert J. Gagne, NHAAO, City, Vice-Chairman
Joseph Lessard, NHAAO, Towns >3,000
Todd Haywood, NHAAO, Towns <3,000 ~ *Absent*
Betsey Patten, Public Member
Vacant, Municipal Official, Towns >3,000

Senator Bette Lasky ~ *Absent*
Representative Peter Schmidt
Stephan Hamilton, NHDRA
Eric Stohl, Municipal Official, Towns <3,000
Marti Noel, NHAAO
Thomas Thomson, Public Member
Vacant, Municipal Official, City

MEMBERS of the PUBLIC:

Scott Dickman, NHDRA
Rosann Lentz, Assessor, Portsmouth

Jon Duhamel, Assessor, Laconia
Dave Gomez, Assessor, Derry

Chairman Gerzon convened the meeting at 9:30 a.m.

Introductions

Minutes

Mr. Gagne ***motioned to accept the minutes of the February 28, 2014, regular board meeting.*** Representative Schmidt ***seconded the motion.*** Mr. Hamilton requested a change to clarify a statement he made pertaining to when the 2013 Assessment Review results would be available. He requested a change from "~~will be ready after the next meeting.~~" to "*will be ready sometime following the next meeting.*" No further discussion. Chairman Gerzon called the motion to accept the minutes of the February 28, 2014, meeting as amended. Senator Pierce abstained. ***All others approved.***

Equalization Manual

Mr. Gagne reported the Equalization Subcommittee met prior to this full board meeting to review the revisions made pursuant to requested changes discussed at a previous work session. The subcommittee voted to recommend approval of the manual to the full board.

Mr. Hamilton ***motioned to adopt the recommended changes to the Equalization Manual for 2014 as recommended by the Equalization Subcommittee.*** Ms. Patten ***seconded the motion.*** Senator Pierce asked for a summary of the changes to the manual. Mr. Gagne indicated the changes accepted at the work session were generally grammatical changes rather than changes to content. Mr. Hamilton added the Equalization Manual is a technical manual most often used by the DRA and the municipalities. The changes to the manual, which was last published in 2006, were to improve the language of the manual to coincide with the current practices and new technologies that have been deployed since it had last been drafted. Additionally, a change was made to the way the activity of sale chasing was defined and how it is regarded as well as how the DRA will proceed if detected.

Mr. Gagne asked that the subcommittee remain in place, although the work is completed at this time, for future equalization issues. In addition, Mr. Gagne recommended Ms. Noel as a member of the subcommittee as her

work on the manual was very helpful. No further discussion. Chairman Gerzon called the motion to adopt the Equalization Manual recommended by the Equalization Subcommittee, subject to minor editorial changes including the date on each section's cover page from 2013 to 2014, as discussed. ***All approved.***

Legislative Update

Representative Lockwood reported the changes to HB 1110, voted on at the February meeting, has passed the House and has been given to the Senate committee.

A discussion took place with regards to the proposed legislative change pertaining to payment in lieu of tax (PILOT) agreements for renewable generation properties. A PILOT agreement represents a negotiated dollar amount between the municipality and an entity, to be paid in lieu of taxes versus paying taxes based on assessed value using market derived data. This may cause a disproportion in taxes to be made up by the other taxpayers within a municipality or unincorporated place.

Ms. Lentz stated that while new sciences pertaining to the generation of electricity may deserve a break on their taxes today, in the next 10-15 years when these become a standard, to consider how the standards created today might affect the standard tomorrow.

Mr. Hamilton added that the change related to how the entities would be valued. The current practice is to consider the market value of the property; however this change would require the payment in lieu of tax to be equalized to determine the value; following the same procedure as other payments in lieu of tax.

Distribution of the Assessing Reference Manual

Mr. Thomson inquired as to the progress at the department of distributing the Reference Manual. Ms. Derosier indicated an e-mail was sent to all municipalities to inform them of the availability of the manual on the department's website. Mr. Hamilton added a number of manuals will be printed for any requests that are received by the department; however, initially it is not the intent of the department to distribute a printed manual to all of the municipalities but rather to promote the use of the electronic manual on the department's website. The manual or certain pages or chapters can be printed by anyone, including municipalities and the public, who may want to replace the entire first edition with this second edition in the blue binder. The department will monitor the feedback and adjust its distribution effort as needed.

USPAP

The ASB has adopted USPAP Standard 6 for the revaluation process and the review process at the DRA when an entire revaluation takes place. A discussion took place about the idea of using USPAP Standards 1 and 2 for individual, special-purpose property appraisals.

The discussion began with concern about having to create an individual, USPAP compliant report or summary appraisal report for individual abatements and the DRA's review of those reports. Another concern was raised pertaining to the urging of the department to provide more support, such as an appraisal, for the value derived for a land use change tax, as well as the significant increase in cost to the municipalities if Standards 1 and 2 are implemented. This additional oversight is seen by assessors as being over and above what is necessary.

Questions were raised as to why the department is looking to bring in Standards 1 and 2, what the problem actually is and whether or not the department could afford and was qualified to perform the reviews of these reports.

Mr. Dickman explained the distinction between Standard 6 and Standards 1 and 2. Standard 6 encompasses both the development and reporting of mass appraisal techniques using CAMA derived, statistically generated values. For those stand-alone properties whose value is not derived through a CAMA system, reporting under Standards 1 and 2 evaluates how that single value was developed.

Ms. Lentz responded that special-purpose properties, in most cases, require a fee appraiser who specializes in a particular type of property and is required to comply with USPAP. The larger communities can afford to hire a

fee appraiser; however the smaller communities who have a contract assessor cannot and therefore will be significantly affected by the enforcement of Standards 1 and 2.

Mr. Dickman restated the motivation for adopting Standard 6, to encourage accountability, conformity and credible appraisal and assessing practices. The idea of incorporating Standards 1 and 2 is to optimize the likelihood that all property, whether by mass appraisal or by an individual appraisal, adhere to well-accepted practices and credible techniques.

Ms. Noel suggested using Standard 6 as a format and adding wording for stand-alone properties to require something in line with Standards 1 and 2 without fully adopting them for all assessing purposes.

Mr. Dickman added there are large, unique properties within the state that fall outside of the CAMA modeling. When the information for this unique property is received by the department, the support is not there. The intent of the department is to find a balance for how that appraisal practice could be improved for the purpose of transparency and accountability and to optimize the likelihood that fairness and equitability is borne by everyone across the state, not to create an additional cost burden on the municipalities.

- Is the department required to provide USPAP compliant reports for the utility values they establish and if not, why?

Mr. Hamilton confirmed the DRA does follow USPAP with regards to utility property valuation. Pursuant to RSA 21-J:14, all taxpayer financial information in possession of the department is privileged and confidential. We do provide the reports of the utility value to the taxpayer but generally cannot release them. This is a statutory requirement with serious penalties of all DRA employees to not disclose any financial information.

With regards to utility values, the municipalities have the option to inventory and value the properties on their own; they are not required to use the DRA utility values. However, applying one valuation methodology as well as an allocation methodology especially to utility property that is located in multiple jurisdictions provides a reasonable basis for making some of the determinations, including the property tax burden.

Mr. Lessard followed up by suggesting that because statute protects the utility financial data, why not either change statute so that it is not protected information or look into changing statute so that commercial property financial data can be collected and protected to help us be more equitable with all taxpayers.

- Who will determine whether the assessor's work on an individual property report is USPAP compliant or not? Will it be the department's interpretation or the assessor's interpretation of that within the scope of work defined?

Mr. Hamilton stated with the department's current staffing level there are times when it is difficult to complete all of the work. If there were some new requirements that required all appraisals comply with USPAP, the department would need to step back and evaluate how those reports would be reviewed and find the resources necessary to complete them.

- Does the department have the responsibility to monitor the abatement effort?

Mr. Hamilton stated the department does not conduct reviews for compliance with USPAP for individual valuation efforts that are not related to establishing the tax burden. There are however situations where a special-purpose property such as an amusement park or ski area will receive a different treatment and herein lies the conflict at the department. When providing support of how the value of that special-purpose property was established, it cannot be compared to Standard 6 because it is not a mass appraisal therefore the department does not have a standard to review it against.

A brief discussion took place pertaining to what the additional cost would be to the municipality and whether or not this is a new requirement that will impose additional cost to the municipalities. Mr. Hamilton explained the department is trying to resolve a conflict, not create a new imposition. The department is being presented reports that do not have any connection to USPAP to review them and we wanted to discuss what the impact

would be, not make a decision. Senator Pierce suggested Article 28-A be considered throughout the discussion.

Mr. Dickman added that while communities like Portsmouth can afford to bring in an appraiser with expertise of a particular property type, what about the other communities who may not or cannot afford to do this? There is no guarantee to those communities that the appropriate steps are being taken to determine market value.

Ms. Lentz asked the department provide examples of these properties as no backing for the stated inequity has been provided. In her opinion, most communities with these large special-purpose properties have individual assessors in them or have the ability to hire them.

Mr. Hamilton stated there are a number of communities with ski areas, a racing facility and amusement parks that do not have an in-house assessor. The department receives 50-75 reports a year that supplement the USPAP revaluation report. There is a wide variety of reporting styles because the practitioners are confused by how they should report an individual appraisal. The techniques applied and reported in Standard 6 are different than the valuation technique in Standard 1 and the reporting in Standard 2. The problem is not that these reports are non-compliant with USPAP; the issue is that the law does not provide for a standard for the department to review those reports to make that determination. Standard 6 is the standard by which the department judges mass appraisal reports against and then reports the results back to the municipalities and the ASB; there is no penalty being imposed for non-compliance of the report.

Mr. Hamilton restated the department is not looking to impose new requirements on the municipalities only to explore the idea of how these individual property valuations are reported in order to reflect back to the community about the quality and compliance with USPAP.

Sales Chasing / Asb Definition

At the February meeting, the board voted to revise the proposed language in HB 1110, which removed the statutory duty of the board to define "sales chasing" and in turn allow it to be defined within the Asb rules. This change was passed by the House and has been moved on to the Senate. A discussion took place to determine the draft language for the definition of "sales chasing" in the Asb rules with the understanding that the language in HB 1110 needs to be passed by the Senate before the rulemaking process can begin. Mr. Lessard ***motioned to accept the following draft language for Asb 301.22 Sales Chasing – "means the practice of knowingly changing an individual property assessment to or near to the recent selling price of that property thereby manipulating equalization ratio study results."*** Mr. Gagne ***seconded the motion***. Chairman Gerzon called the motion. ***All approved.***

Next Meeting

May 30, 2014 at 9:30 a.m. at the DRA.

Mr. Gagne ***motioned to adjourn***. Mr. Hamilton ***seconded the motion***.

Chairman Gerzon adjourned the meeting at 12:20 p.m.

Respectfully Submitted, Stephanie Derosier
NH Department of Revenue Administration – Municipal and Property Division

Documentation relative to the Assessing Standards Board may be submitted, requested or reviewed by: Telephone: (603) 230-5955

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